

# TALKING ABOUT TRADE

Key themes in Australian and global trade

Westpac Economics

March 2025



# Modelling the global impact of US tariffs

Research by the US' Peterson Institute For International Economics highlights the nations most at risk from US tariffs. In short, it is the US and its largest, immediate trading partners who are most vulnerable.

A [25% tariff on Mexico and Canada](#) retaliated against reduces baseline US GDP by 0.6ppts over three years while Mexican and Canadian GDP declines by 2.3% and 3.4% (over three and eight years).

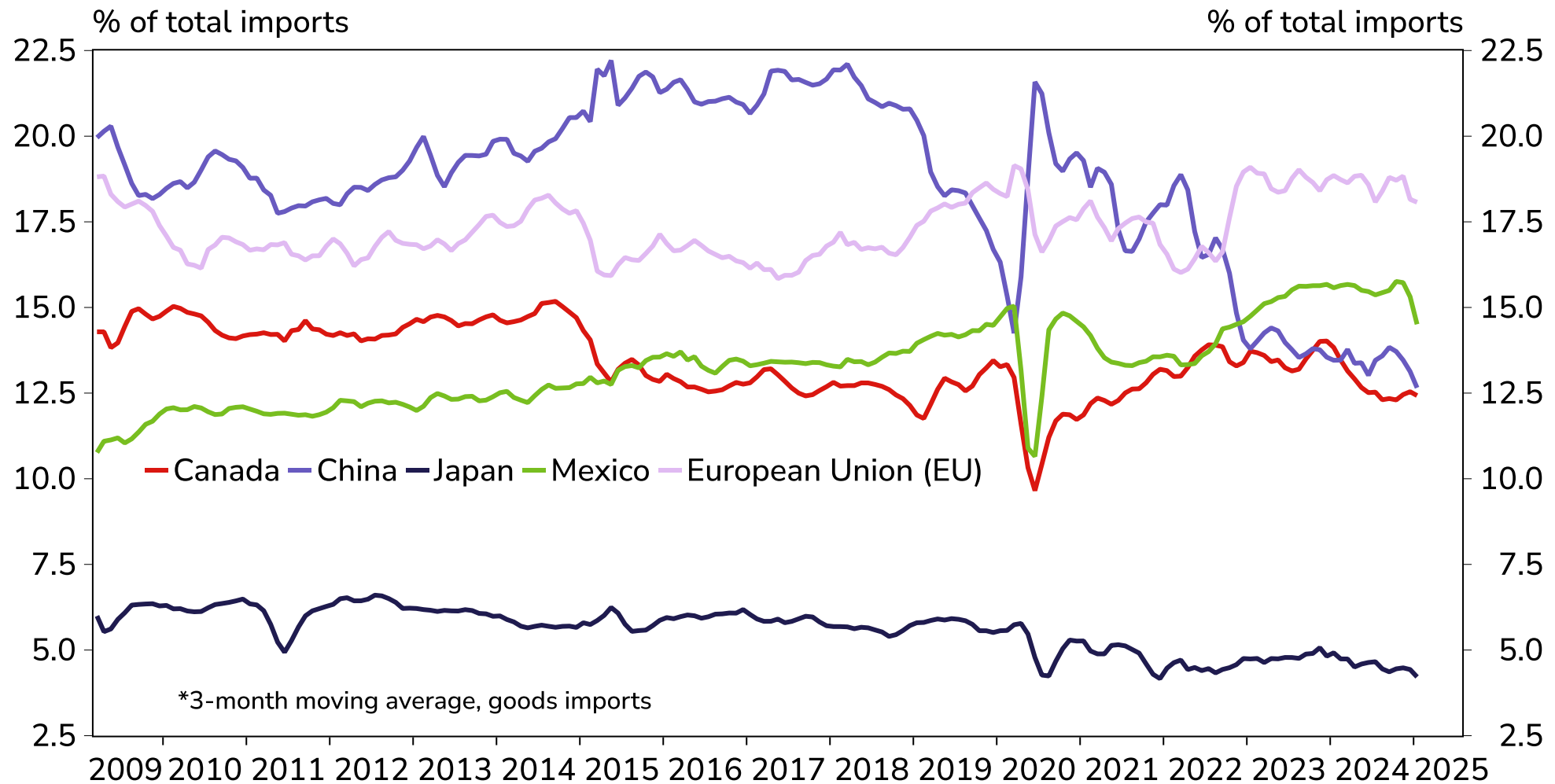
[Each 10% increase in US tariffs against China](#) with retaliation is, in contrast, estimated to cost China's economy just 0.2% over three years, essentially the same as the estimated cost for the US. China is more adversely affected if other emerging markets are also tariffed, the breadth of tariffs limiting work arounds.

Still, China's economy is currently growing around 5% per annum and authorities have pivoted to an active policy stance while also continuing to broaden export markets and economic links across Asia. The direct trade effect on China's economy is likely to be negligible unless the US' actions escalate dramatically.

Prior modelling released by the Peterson Institute for a 10% universal tariff with retaliation pointed to little-to-no economic impact on Australia. This is intuitive given our trade deficit with the US and as we primarily export commodities to China and Asia. Active stimulus by China would increase demand for these goods.

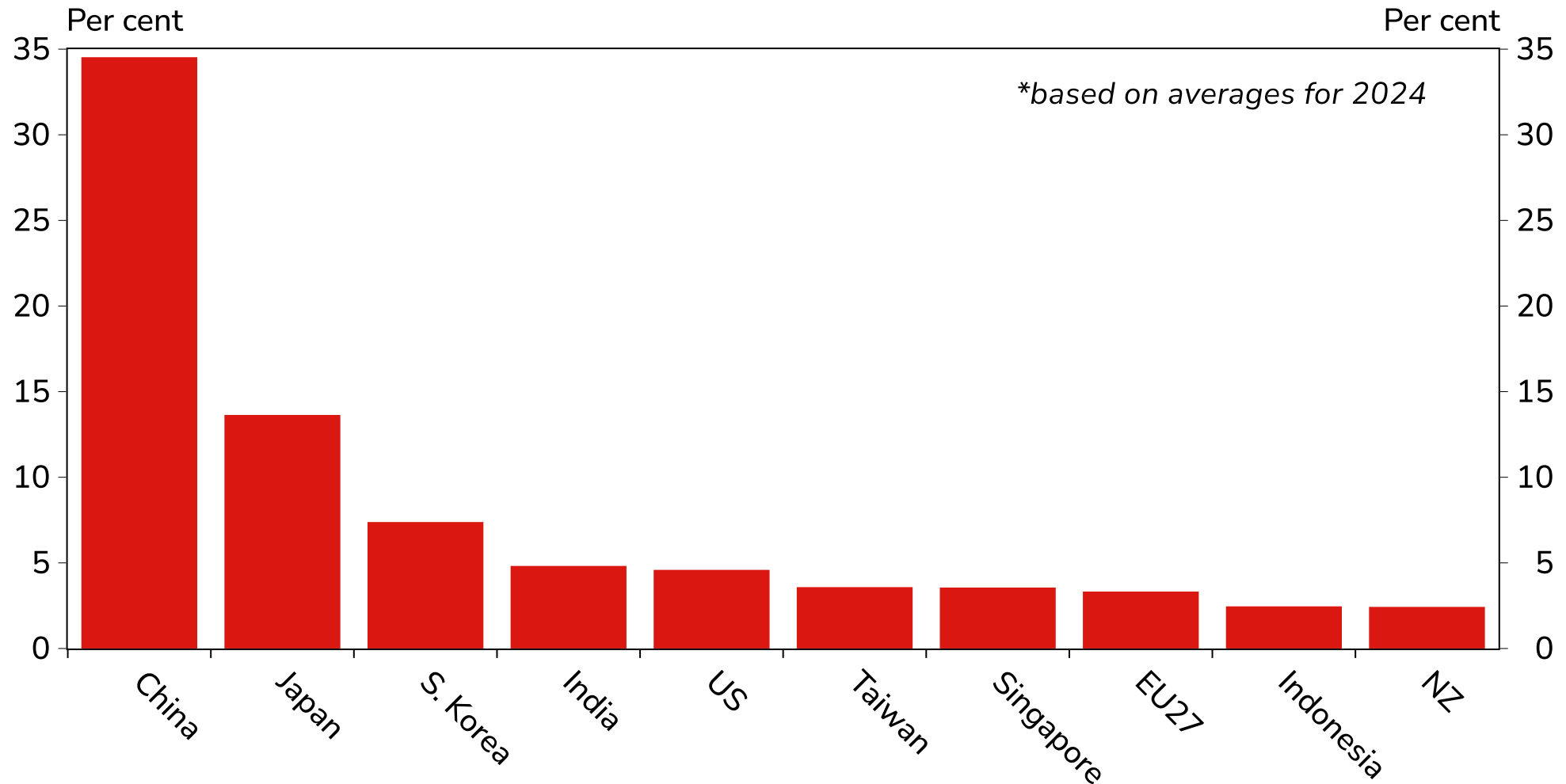


# Europe, Canada, China & Mexico primary exporters to US



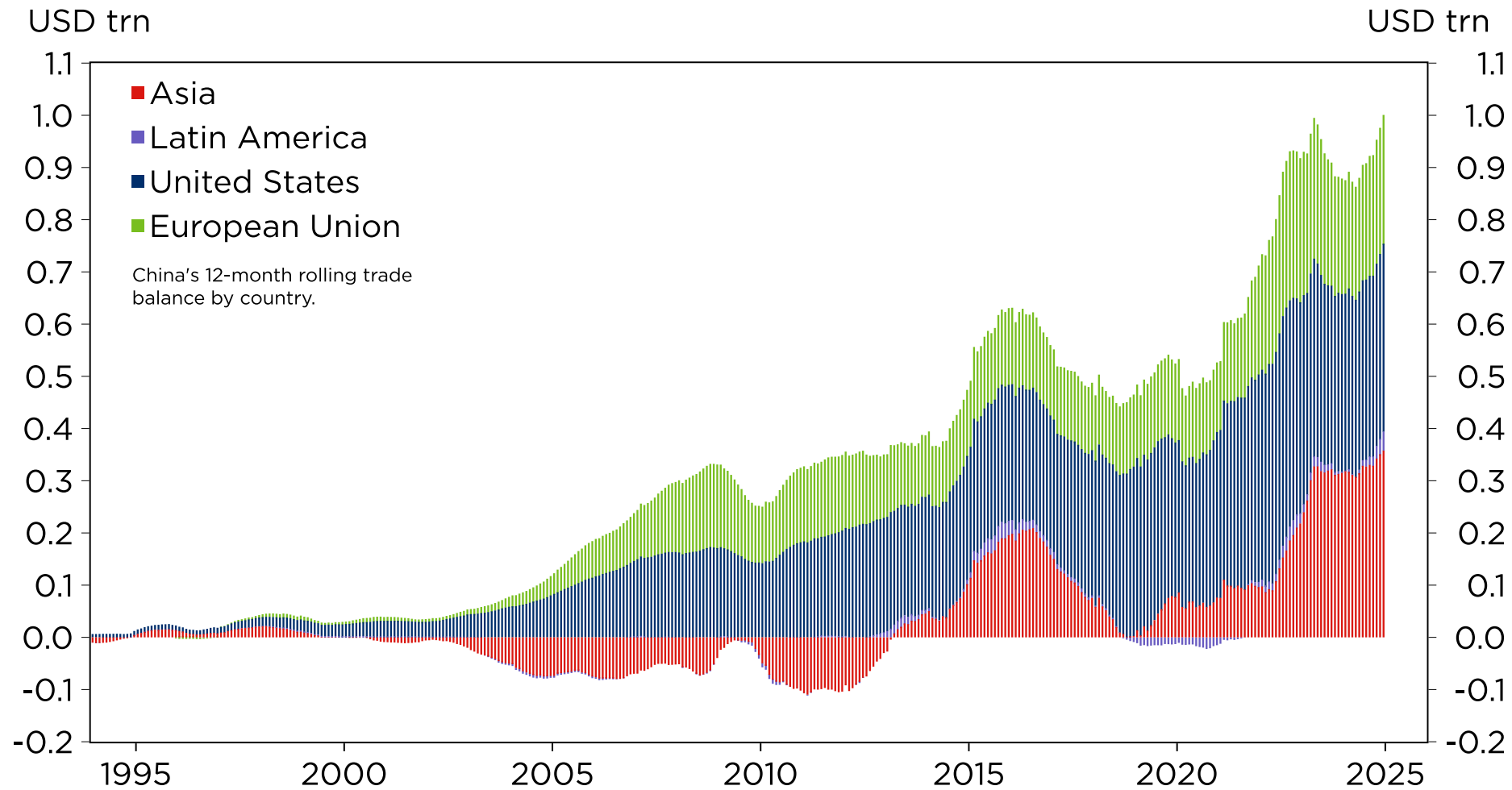
Source: USCB, Macrobond, Westpac Economics

# Aust. top 10 export markets: China our only major exposure\*



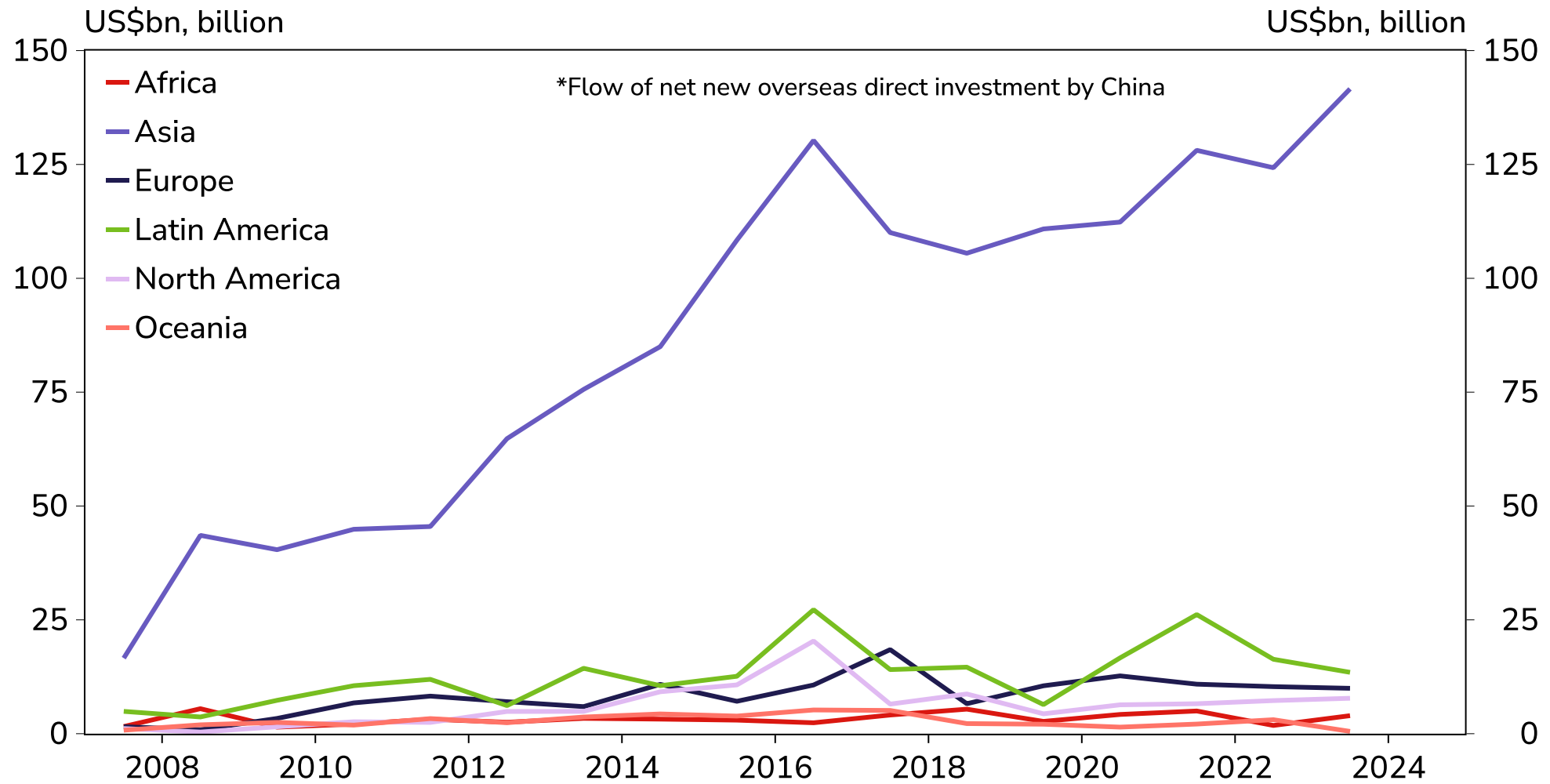
Source: DFAT, Macrobond, Westpac Economics

# China's export opportunities plentiful outside the US



Source: GAC, Macrobond, Westpac Economics

# Chinese firms' offshore factories circumvent US tariffs



Source: MOFCOM, Macrobond, Westpac Economics

# Australian trade: current conditions and outlook

In 2022, Australia reported its highest trade surplus on record. A big increase in export prices was the main driver; import prices rose too, but to a lesser extent. Since then, easing nominal exports and growing nominal imports have driven the trade surplus back towards zero.

In real terms, exports remain below pre-pandemic levels, while imports have been growing gradually. As a result, net exports have been subtracting from growth since 2021.

After a recovery from the pandemic lows, services exports (real) have been stagnating, but the main story is on the goods side, which have not seen meaningful growth since before the pandemic.

‘Big 3’ commodity exports have been weak. Rural goods are instead the success story of recent years.

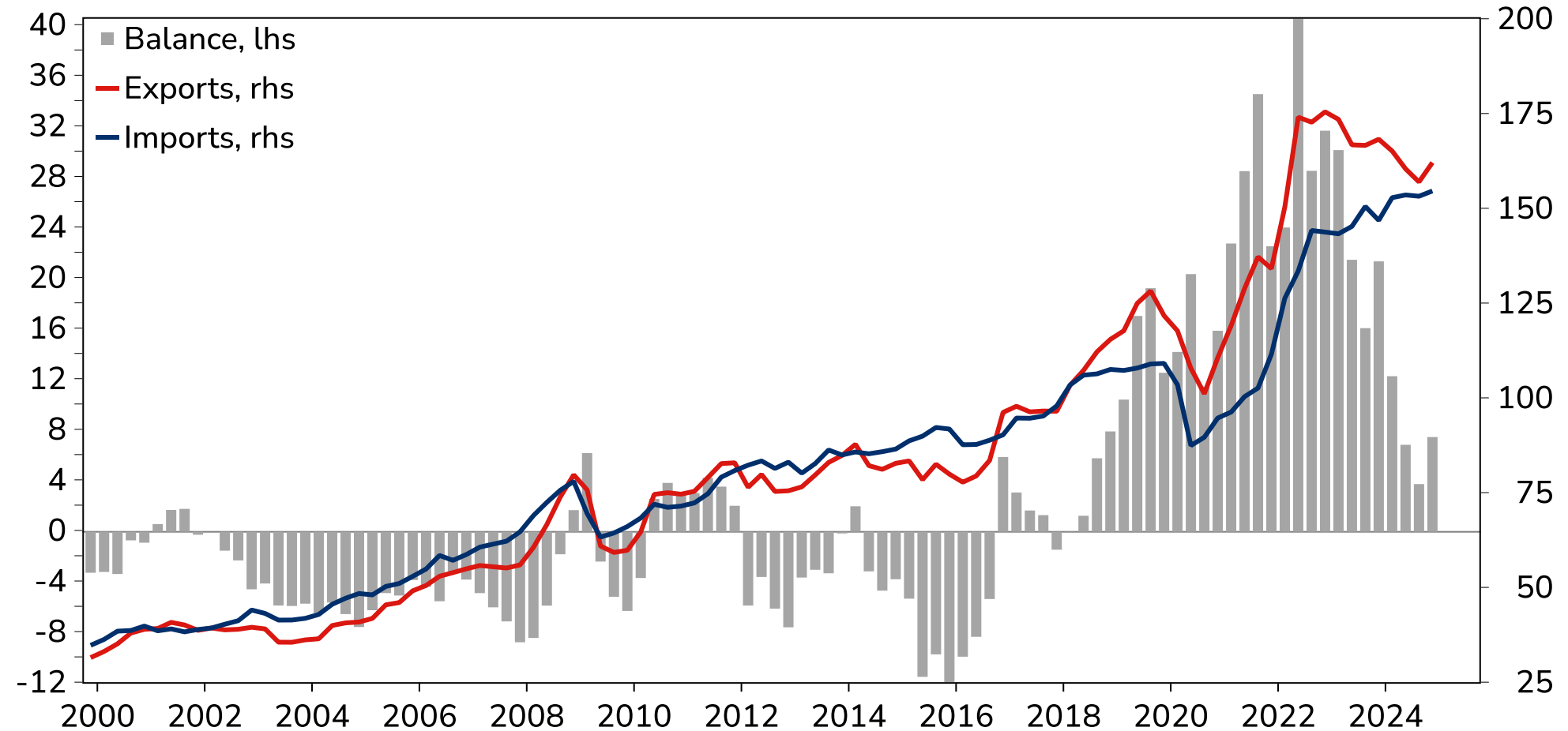
While China is by far the biggest destination for our goods exports, export values have been shrinking recently due to a moderation in commodity exports.

Australia’s exports to the United States have surged in recent months, mainly due to higher gold exports. This is part of a broader trend, with US imports rising sharply from most markets, in particular for metals imports. Likely, this reflects the frontloading of shipments ahead of import tariff implementation.



# Having peaked in 2022, Australia's trade surplus has narrowed

Value, \$bn

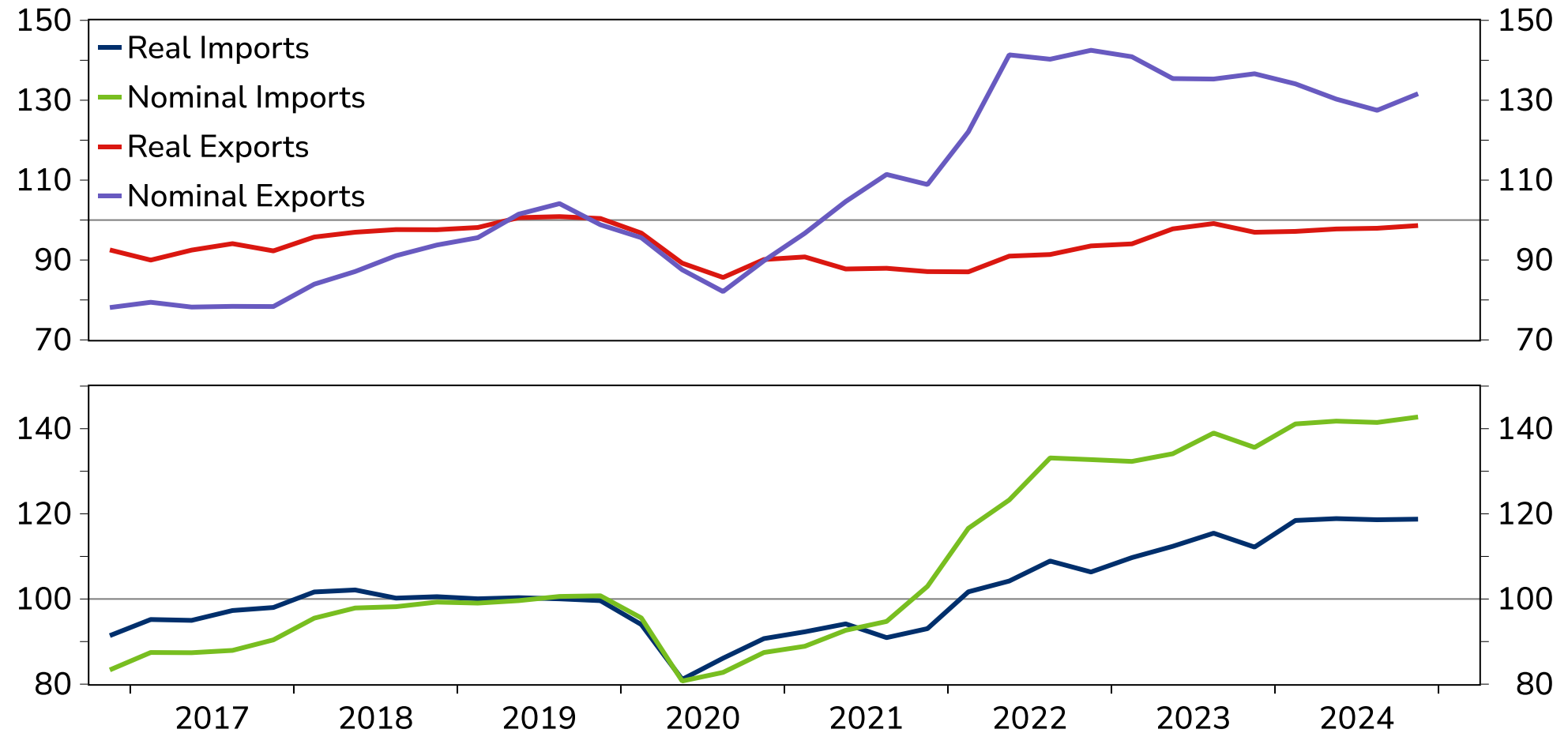


Source: ABS, Macrobond, Westpac Economics



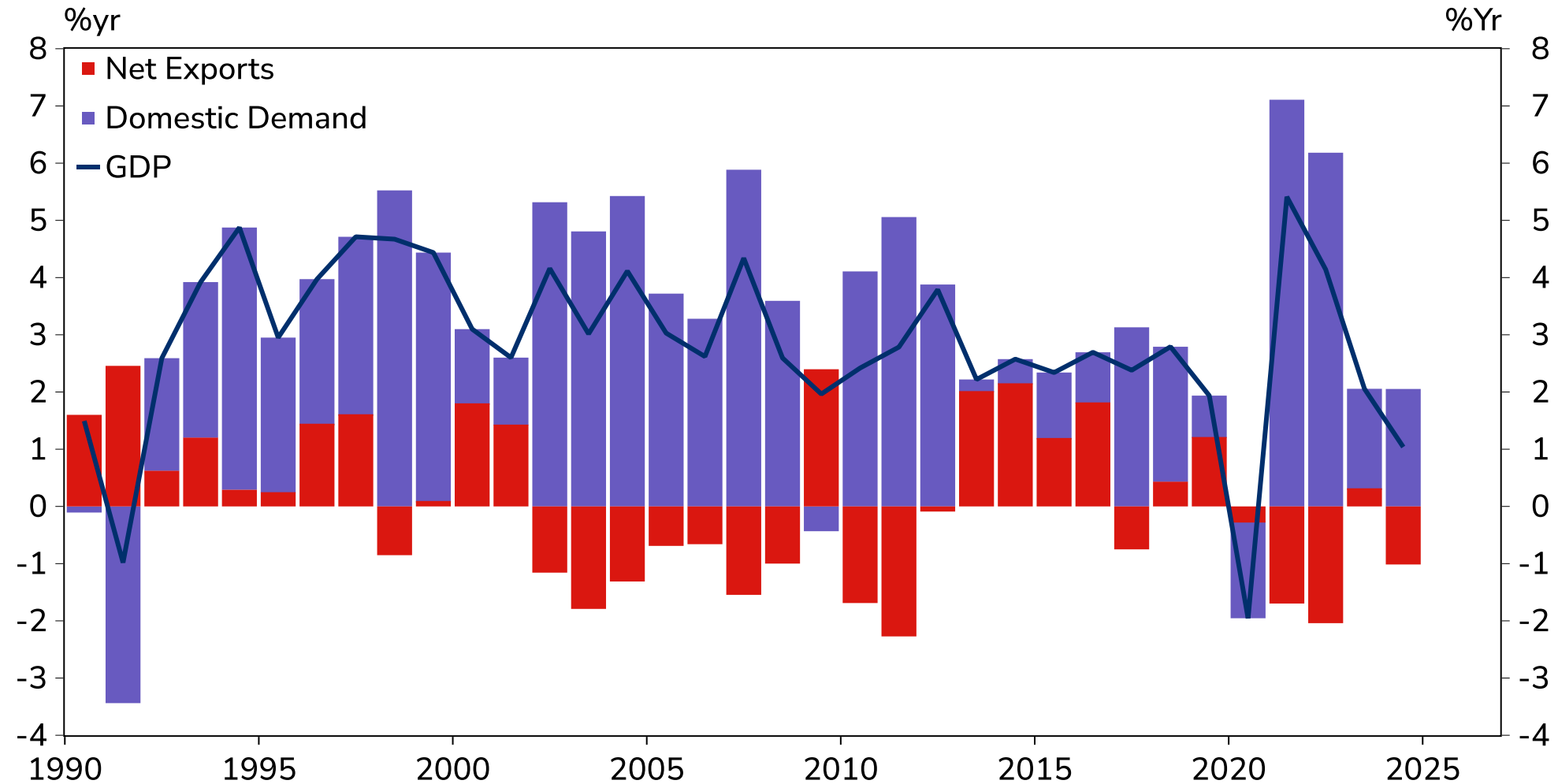
# Real exports remain subdued, below pre-pandemic levels

Index 2019=100



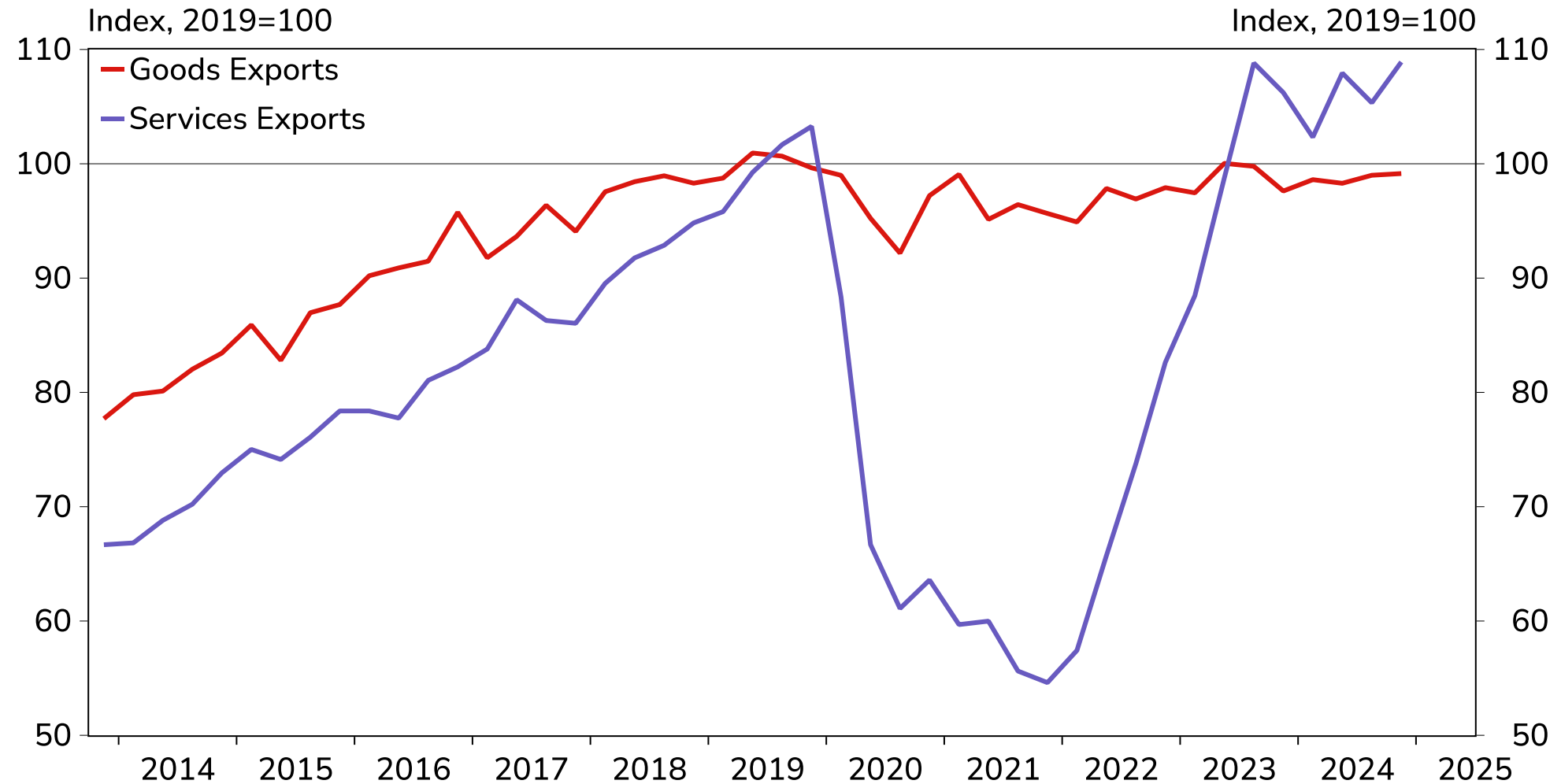
Source: ABS, Macrobond, Westpac Economics

# Net exports are subtracting from Aust. GDP growth



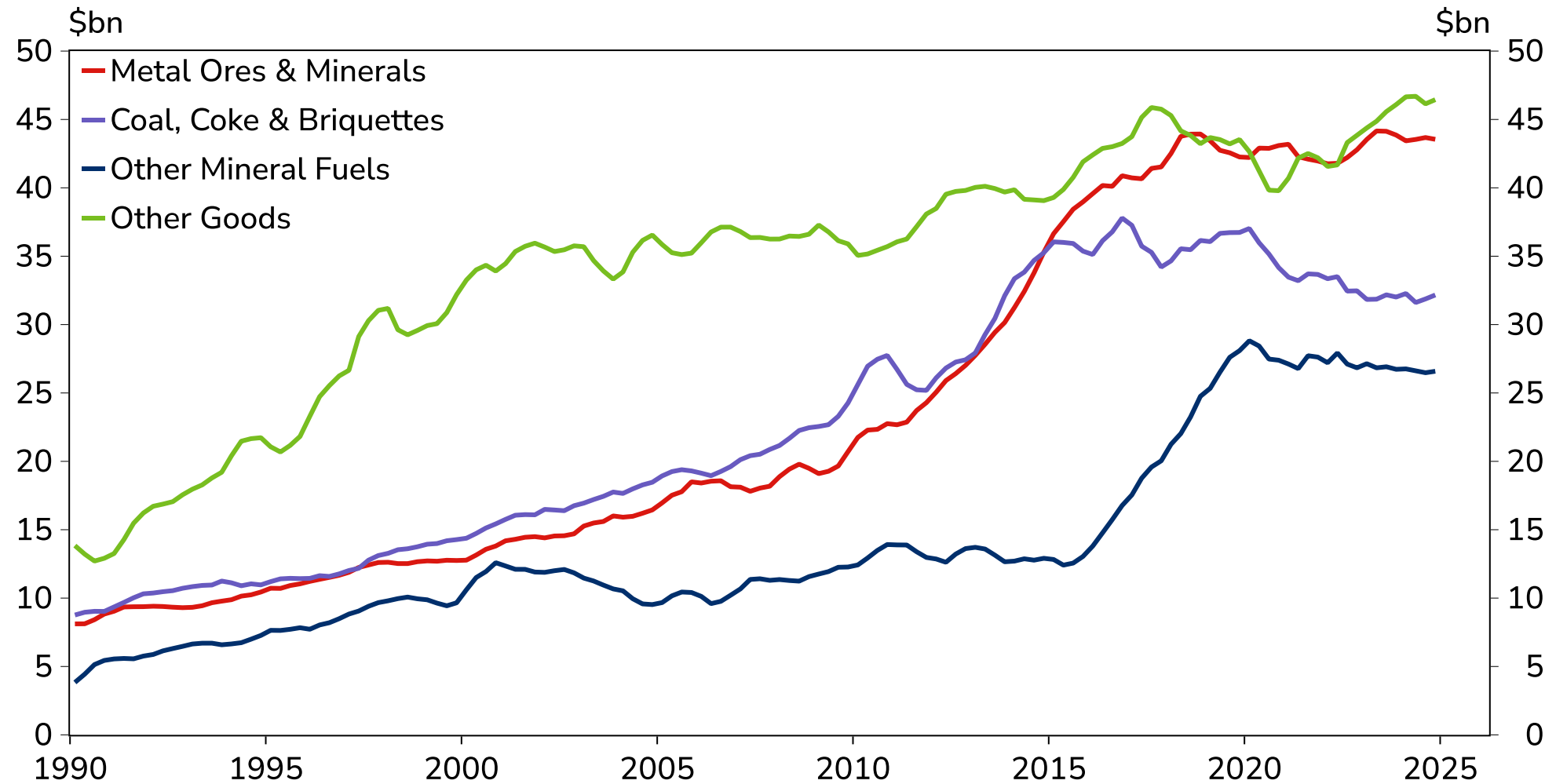
Source: ABS, Macrobond, Westpac Economics

# Both goods and services exports have been stagnating lately



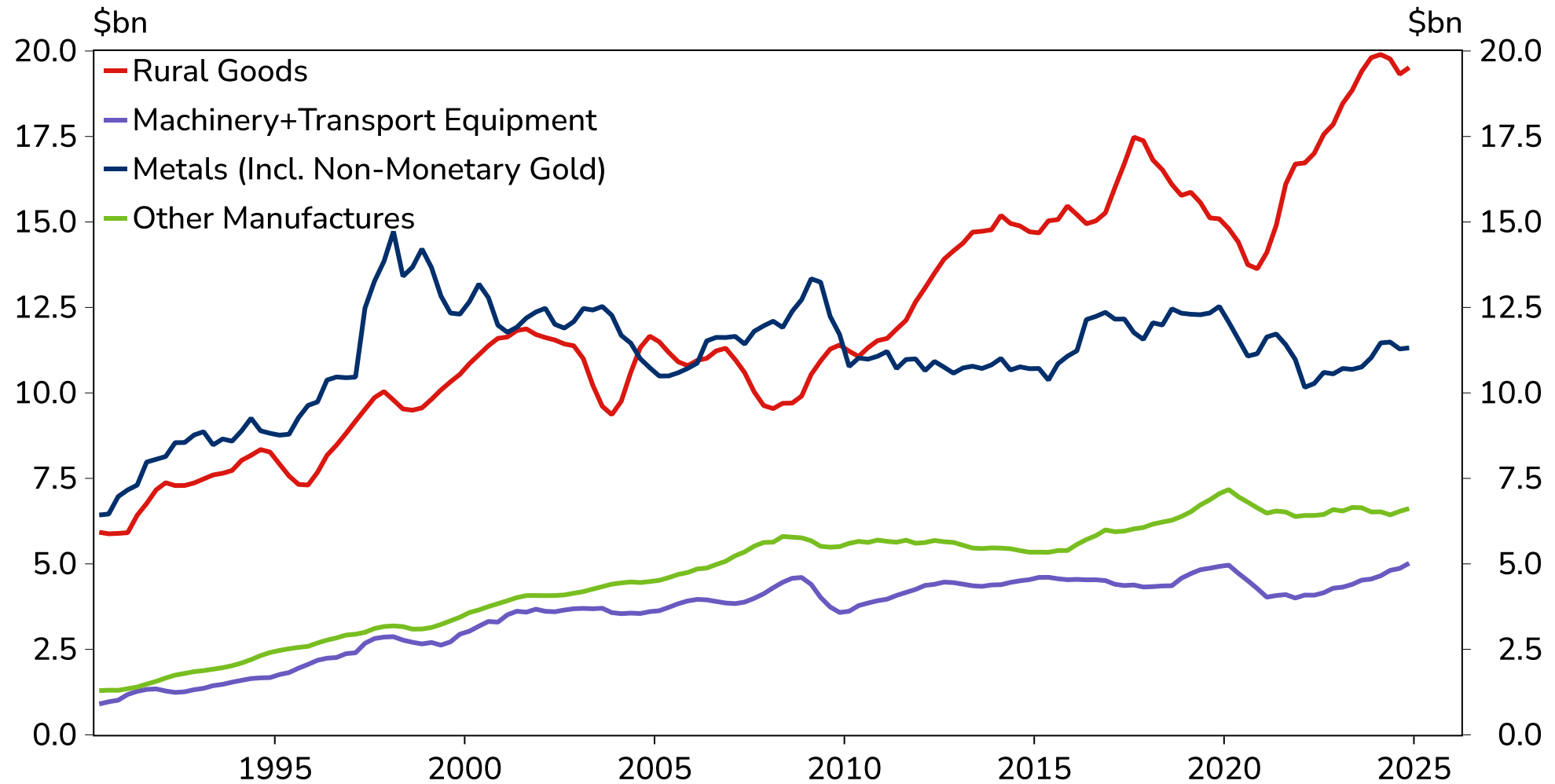
Source: ABS, Macrobond, Westpac Economics

# 'Big 3' exports flat or lower; other goods up slightly



Source: ABS, Macrobond, Westpac Economics

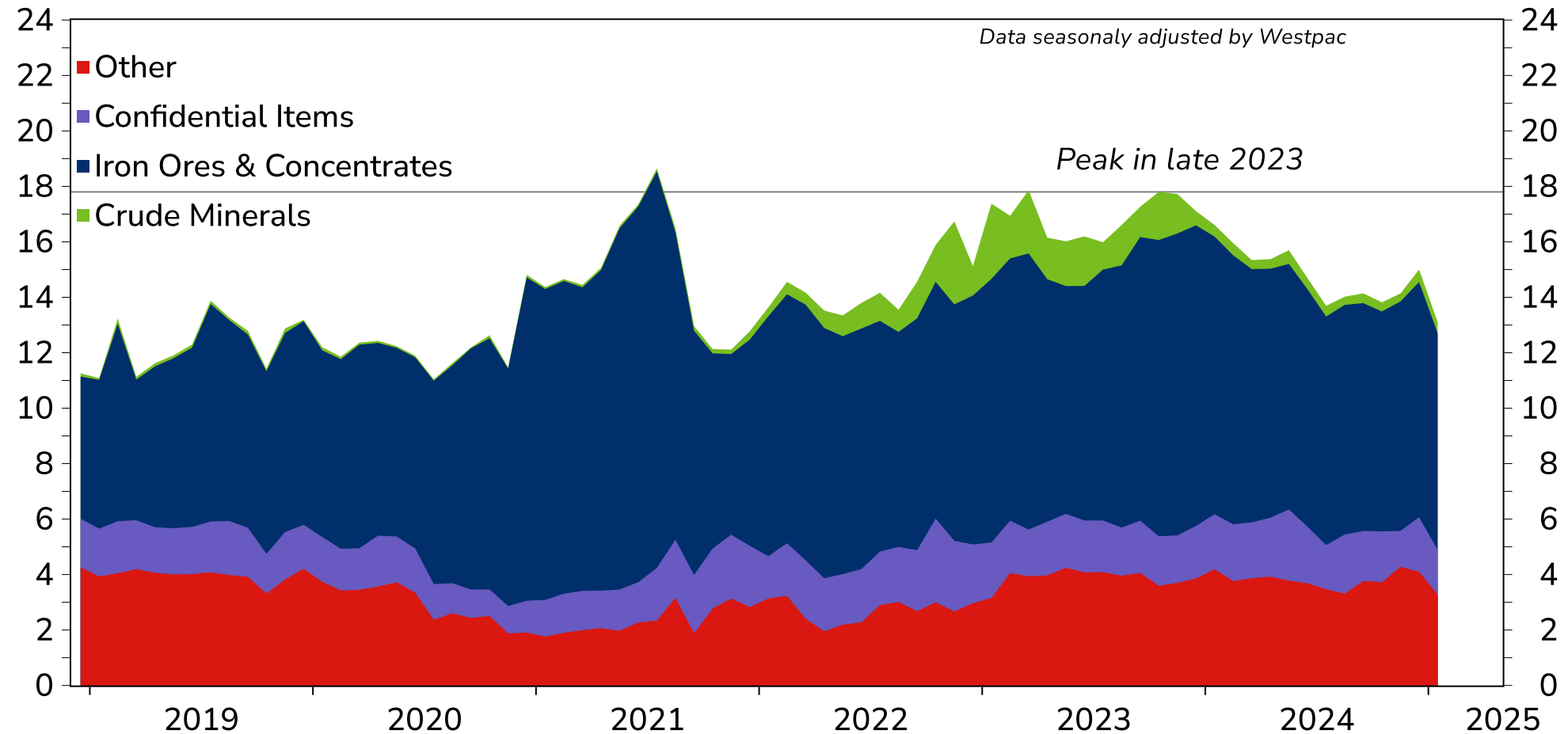
# Among other goods exports, rural output the main success



Source: ABS, Macrobond, Westpac Economics

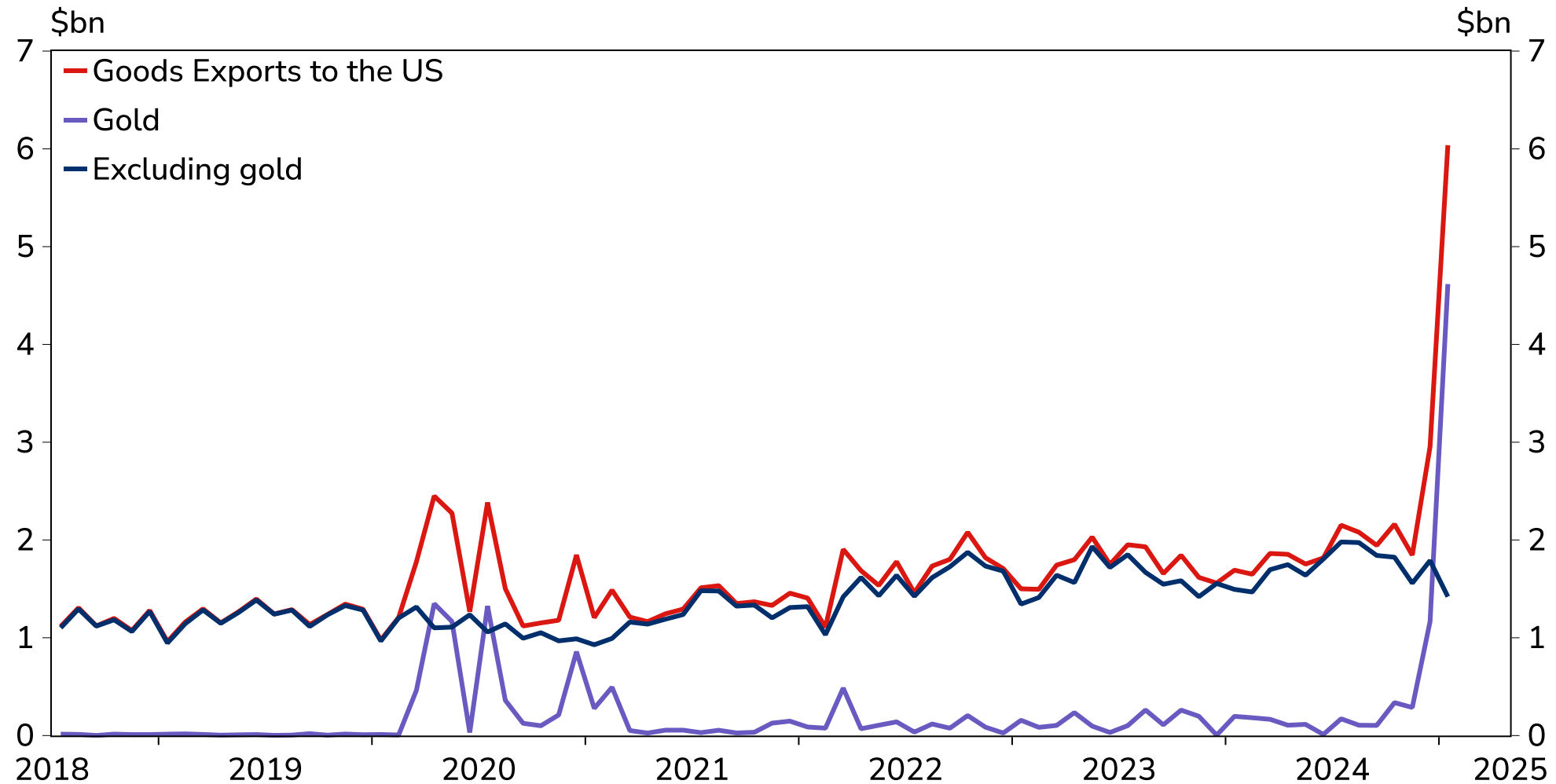
# Exports to China are slowing due to commodities

Value, \$bn



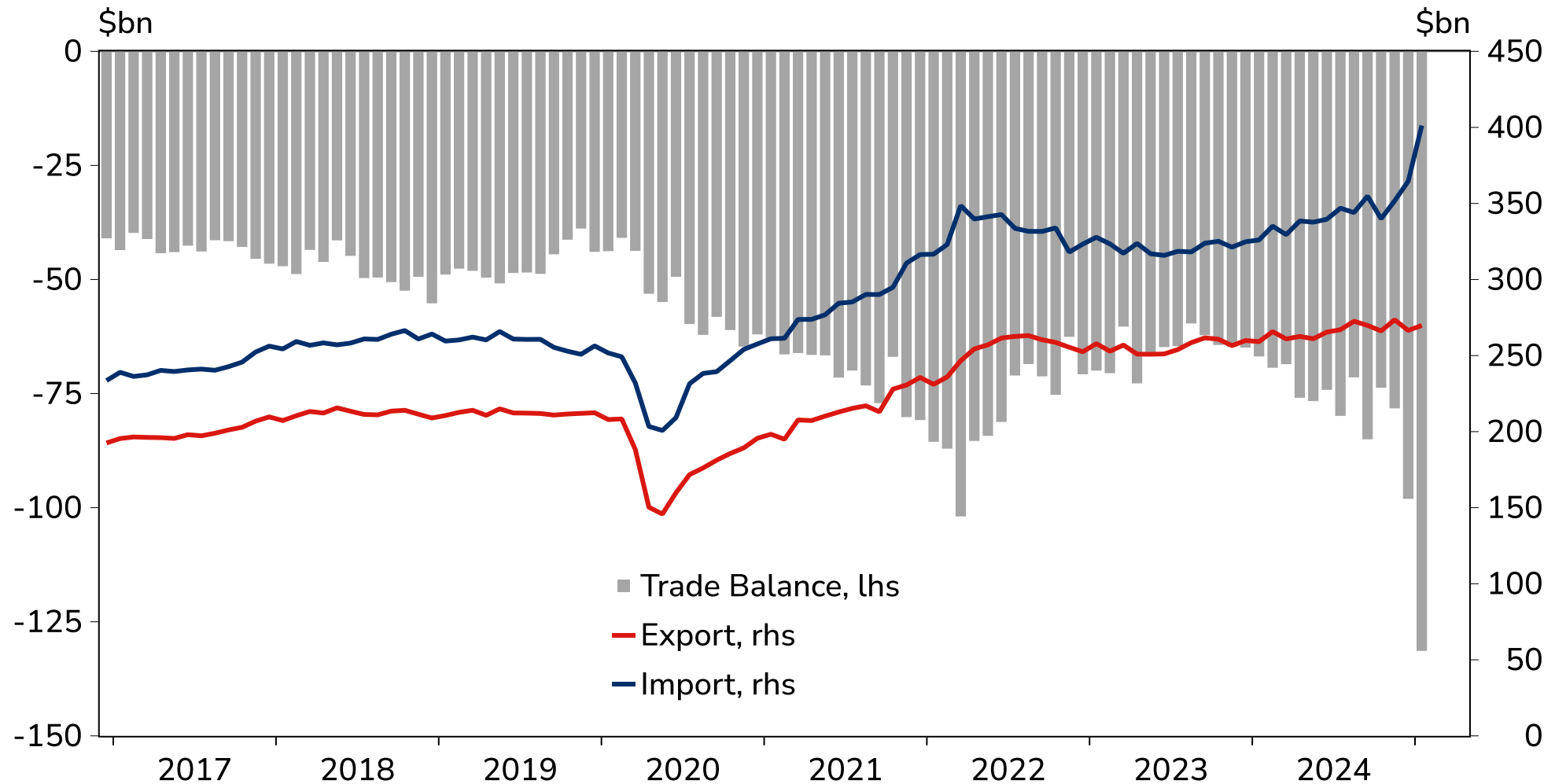
Source: ABS, DFAT, Macrobond, Westpac Economics

# Australia's exports to the US have surged on gold shipments



Source: DFAT, Macrobond, Westpac Economics

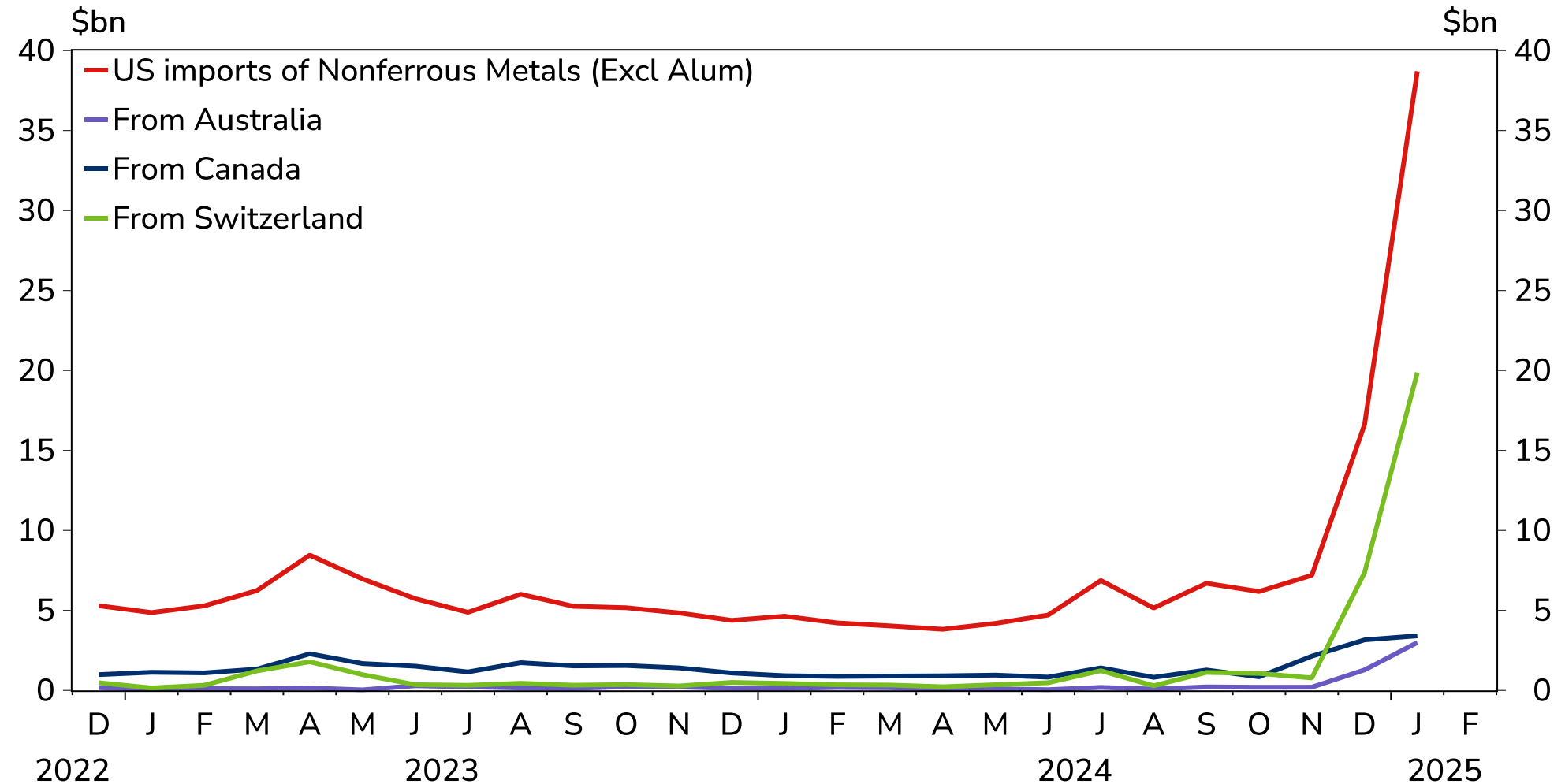
# US total imports frontrunning tariff implementation



Source: BEA, Macrobond, Westpac Economics



# Around 60% of the total US import surge is due to metals



Source: BEA, USCB, Macrobond, Westpac Economics

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